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Message Text

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ACTION NODS-00

INFO OCT-01 ISO-00 /001 W
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O 152200Z JUL 75
FM AMEMBASSY ALGIERS
TO SECSTATE WASHDC IMMEDIATE 2722

C O N F I D E N T I A L SECTION 1 OF 2 ALGIERS 1586

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E.O. 11652: GDS
TAGS: ENRG, AG
SUBJ: ENERGY DIALOGUE

REF: ALGIERS 1476; SECTO 06006

1. SUMMARY: BOUMEDIENE GIVES RESPONSE TO SECRETARY'S MAY 27 MESSAGE ON RESUMPTION ENERGY DIALOGUE. RESPONSE CONCILIATORY AND POSITIVE IN TONE. HE PREPARED RECEIVE USG REPRESENTATIVE AND DISCUSS RESUMPTION WITH HIM.

2. WAS SUMMONED TO PRESIDENCY TO MMET WITH BOUMEDIENE ON SHORT NOTICE THIS AFTERNOON. HE SAID FIRST THING ON HIS MIND WAS QUESTION OF RESUMPTION OF DIALOGUE. HE HAD HAD DISCUSSION WITH MINISTER INDUSTRY AND ENERGY ON SUBJECT AND HE WAS GIVING ME THIS AFTERNOON ALGERIAN RESPONSE TO SECRETARY'S MESSAGE OF MAY 27. HE APOLOGIZED FOR DELAY IN RESPONSE AND SAID PRESSURE OF WORK HAD KEPT HIM FROM ANSWERING SOONER. IN BRIEF, ALGERIA WAS ALL FOR DIALOGUE BUT THERE WERE A NUMBER OF SERIOUS PROBLEMS. DISCUSSION OF PROBLEMS AND THEIR SETTLEMENT WERE TWO DIFFERENT THINGS. IN ALGERIAN EYES IT WAS IMPORTANT THEY HAVE SOME ASSURANCE THAT DIALOGUE WAS GOING TO BE SUCCESSFUL, OTHERWISE THERE WAS NOT MUCH PURPOSE IN HAVING IT. HE GATHERED THERE HAD BEEN SOME AMELIORATION IN AMERICAN POSITION AND HOPED WE COULD WORK TOGETHER.

3. I SAID I DID NOT KNOW WHETHER OUR POSITION HAD
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ACTUALLY CHANGED BUT WE WERE PREPARED TO DISCUSS PROBLEMS

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OF INDEXATION AND MONETARY REFORM AND THOUGHT THAT SUCH
MATTERS SHOULD BE DEALT WITH THROUGH DISCUSSION AND
COOPERATION RATHER THAN BY CONFRONTATION.

4. BOUMEDIENE SAID BIG PROBLEM FOR ALGEIANS WAS HOW TO
MAINTAIN THEIR PURCHASING POWER. THEY REALIZED
THAT WE HAD SIMILAR PROBLEM BUT WE HAD GREATER CAPABILITIES
OF DEALING WITH IT THAN ALGERIANS DID. SECOND PROBLEM OF
PRIME CONCERN TO ALGEIANS WAS QUESTION OF REPRESENTATION.
THIS HAD ALREADY BEEN DEBATED AT PARIS AND ALGEIAN
POSITION WELL KNOWN. TEN COUNTRIES COULD NOT REPRESENT
THE ENTIER WORLD AND DID NOT HAVE THE AUTHORITY TO MAKE
ECONOMIC DECISIONS AFFECTING EVERYONE. THE EVENTUAL
BODY THAT DELIBERATED THESE QUESTIONS WOULD HAVE TO BE
LARGER. THE ALGEIANS HAD SUGGESTED THE FIGURE OF 27 AS
BEING REASONABLE.

5. LATER IN CONVERSATION BOUMEDIENE TOOK UP THEME OF
OUR COMMON INTEREST IN SOLUTION OF ECONOMIC PROBLEMS.
HE HOTED THAT AFRICA WAS ENORMOUS MARKET FOR AMERICAN
GOODS AND THAT IT WAS IN OUR INTEREST THAT AFRICAN
COUNTRIES HAVE MEANS TO PURCHASE FROM US. HE UNDERSTOOD
FROM MINISTER OF INDUSTRY AND ENERGY THAT I HAD REPORTED
US HAD BOUGHT SOMETHING LIKE BILLION DOLLARS WORTH OF
ALGERIAN OIL IN PAST TWELVE MONTHS. THIS WAS GOOD, BUT
WHY NOT BUY TWO BILLION? ALGERIANS HAD OIL AND THEY NEEDED
TO SELL IT. BECAUSE OF INFLATION, THE VALUE OF THE MONEY
THEY GOT FOR IT DID NOT LAST. WHAT THEY REALLY WANTED WAS
GOODS AND SERVICES FROM U. WHY NOT WORK IT OUT WITH BARTER
TRANSACTIONS? THE ALGERIANS WOULD TAKE OUR MACHINERY
AND EXPERTS AND TECHNICAL STUDIES AND PAY FOR THEM DIRECTLY
WITH OIL. I SAID THERE WAS ALREADY A CERTAIN AMOUNT OF
THIS GOING ON THROUGH PRIVATE COMPANIES BUT USG ITSELF
NOT IN THE PETROLEUM MARKET TO THAT EXTENT. PROMISED TO
CONVEY HIS IDEA TO WASHINGTON HOWEVER. (THIS SEEMS TO BE
WHAT HE HAS IN MIND WHEN HE SPEAKS OF MAINTAINING PURCHASING
POWER IN HIS LETTER.)

6. BOUMEDIENE'S LETTER WAS GIVEN TO ME AFTER MEETING BY
PRESIDENTIAL ADVISER HAMDANI. FULL TEXT, WHICH IS IN
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FRENCH, WILL BE TRANSMITTED IN THAT LANGUAGE IN INTEREST
TIME. FOLLOWING IS SUMMARY: AFTER EXPRESSING APPRECIATION
FOR SECRETARY'S MESSAGE AND IDEAS WHICH LATTER DEVELOPED,
PARTICULARLY WITH REGARD TO MEANS TO SOLVE BASIC PROBLEMS
AND RECONCILE OUR RESPECTIVE PREOCCUPATIONS, LETTER SAYS
ALGERIA REMAINS FAVORABLY DISPOSED TO RELAUNCHING PARIS
CONFERENCE AND BELIEVES IT IMPORTANT TAKE ACCOUNT OF
INFORMATION ALREADY DEVELOPED IN EARLIER TALKS. FIRST

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STEP COULD CONSIST OF BRINGING TOGETHER AGAIN THE TEN COUNTRIES WHICH MET IN APRIL, WHO SHOULD BE THE ONLY ONES TO PARTICIPATE AS LONG AS IT IS JUST A QUESTION OF SETTLING REPRESENTATION AND AGENDA. SHARES VIEW WE SHOULD AVOID TEDIOUS NEGOTIATIONS AND GET TO IMPORTANT MATTERS QUICKLY.

7. LETTER GOES ON TO SAY CHANCES OF SUCCESS REST IN FIRST PLACE IN RESPRESENTATIVENESS WITH REGARD TO WORLD COMMUNITY. WHILE IT MIGHT SEEM WISE TO LIMIT NUMBER OF PARTICIPANTS IN THE NAME OF EFFICIENCY, IT ALSO WOULD BE USEFUL TO AVOID SITUATION IN WHICH CONCLUSIONS REACHED WOULD BE CONTESTED BY REST OF WORLD. THIS IS WHY ALGERIA SOUGHT ENLARGED CONFERENCE. "WE THINK IT WOULD BE EASY TO CONFIRM THE AGREEMENT ON COMPOSITION REACHED LAST APRIL."

8. SECOND STEP TO ACCOMPLISH AFTER AGREEING ON COMPOSITION AND AGENDA WOULD BE TO BRING TOGETHER AS SOON AS POSSIBLE THE CONFERENCE IN ITS FINAL FORM IN ORDER TO DISCUSS FUNDAMENTAL QUESTIONS. ALGERIA BELIEVES CONCEPTION OF COMMISSIONS SHOULD REST ON ESSENTIAL CONCERN TO DIVIDE TASKS AND FACILITATE THE WORK OF THE CONFERENCE AND NOT TO LOOK FOR A CLASSIFICATION WHICH WOULD HAVE FOR EFFECT THE ESTABLISHMENT OF A CERTAIN HIERARCHY OF QUESTIONS WHICH WOULD BE EXAMINED BY THE CONFERENCE (THIS IS RECURRENT ALGERIAN THEME ABOUT NECESSITY TREATING ALL ECONOMIC QUESTIONS WITH SAME IMPORTANCE AS ENERGY). COMMISSIONS SHOULD BE COMPOSED OF MEMBERS OF CONFERENCE ITSELF. WHEN IT COMES TIME TO SET UP THE COMPOSITION OF THESE COMMISSIONS IT WOULD UNDOUBTEDLY BE WISE TO SUGGEST TO CONFERENCE THAT IT TAKE INTO ACCOUNT CERTAIN FACTORS SUCH AS PERCENTAGE OF EXPORTS AND IMPORTS OF PRIMARY PRODUCTS OR FOOD PRODUCTS IN THE NATIONAL PRODUCT
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OF THE COUNTRY CALLED TO BE PART OF THE COMMISSION, AS WELL AS THE PER CAPITA INCOME AND PARTICIPATION IN DEVELOPMENT EFFORTS.

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C O N F I D E N T I A L SECTION 2 OF 2 ALGIERS 1586

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9. ALGERIA BELIEVES IT WOULD BE WELL TO AVOID HAVING PREPARATORY CONFERENCE ITSELF DESIGNATE WHICH OF THE OTHER COUNTRIES SHOULD BE CALLED TO TREAT WHICH PROBLEM WITHIN THE DIALOGUE. ALGERIAN ALSO BELIEVES IT IS IMPERATIVE NOT TO FIX IN ADVANCE SCHEDULE WHICH COMMISSIONS SHOULD FOLLOW, IT BEING UNDERSTOOD THAT PRACTICAL SUGGESTIONS SUCH AS THOSE IN SECRETARY'S LETTER SHOULD CONSTITUTE ONE OF THE BASES FOR WORK WHICH THE CONFERENCE WILL HAVE TO TAKE INTO CONSIDERATION. LETTER GOES ON TO SAY THAT ALGERIANS ARE ANXIOUS TO SPARE THE DIALOGUE THE DISAPPOINTMENTS WHICH UNCTAD HAS HAD DUE TO LARGE NUMBER OF PARTICIPANTS BUT ALSO TO LACK OF A REAL POLITICAL WILL TO REACH SOLUTIONS FOR THE PROBLEMS CONFIDED TO IT.

10. MATURING OF MAJOR QUESTIONS WHICH AT ROOT OF WORLD ECONOMIC CRISIS AND FACT THAT COUNTRIES WHICH PARTICIPATED IN PARIS CONFERENCE APPRECIATE COMMON DESTINY WHICH TIES DIFFERENT MEMBERS OF INTERNATIONAL COMMUNITY TOGETHER ARE ELEMENTS WHICH HAVE RENDERED POSSIBLE PROGRESS OF RECENT MONTHS. ALGERIANS HOPE THIS "HAPPY EVOLUTION" WILL CONTINUE AND WILL PROMOTE SUCCESSFUL COOPERATION.

11. PROPOSITIONS WHICH SECRETARY FORMULATED PUBLICLY LAST MAY AND ENDORSEMENT GIVEN RECENTLY BY THE UNITED STATES TO THE IDEA OF PLACING DIFFERENT COMMISSIONS OF THE CONFERENCE ON EQUAL FOOTING AS WELL AS POSITIONS TAKEN BY EUROPEAN ECONOMIC COMMUNITY CONSTITUTE A GROUP OF FACTORS WHICH WILL ADD TO RE-ESTABLISHMENT OF DIALOGUE CONFIDENTIAL

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AND REPRESENT IMPORTANT PROGRESS TOWARD THE RELAUNCHING OF PARIS CONFERENCE.

12. IT REMAINS TO CREATE CONDITIONS NECESSARY TO GIVE CONFERENCE SERIOUS CHANCE OF POSITIVE RESULTS. PROGRESS ON PRINCIPLES AND PRACTICAL MEANS TO ASSURE SAFEGUARDING

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OF PURCHASING POWER OF DEVELOPING COUNTRIES WHO ARE
EXPORTERS OF PRIMARY PRODUCTS AND IN PARTICULAR OF
COUNTRIES PRODUCING PETROLEUM WILL BE ESSENTIAL FOR THE
RESUMPTION AND THE SUCCESSFUL CONCLUSION OF THE CONFERENCE.
IN ECONOMIC SITUATION WHERE INFLATION SEEMS DESTINED TO
MAINTAIN A SUBSTANTIAL ANNUAL RATE AND TO TAKE ON A
STRUCTURAL CHARACTER, THE IDEA OF STABILIZING PRICES
IS NO LONGER LIKELY TO BRING TO THE EXPORTING COUNTRIES
AND THE OIL PRODUCERS WHO ARE ENGAGED IN A SERIOUS DEVELOP-
MENT EFFORT THE SECURITY THEY NEED TO MAKE
THEIR FORECASTS AND GUARANTEE THE EXECUTION OF THEIR PROGRAMS.
THIS IS WHY IDEA OF STABILIZATION OF PURCHASING POWER
OF EXPORT EARNINGS OF SUCH COUNTRIES SEEMS TO ALGERIA TO
SUPPLANT PRICE STABILIZATION, WHICH
HAS LOST INTEREST AND ITS EFFICACY BECAUSE OF THE
STRENGTH AND PERMANENCE OF THE INFLATIONARY PHENOMENON.

13. ALGERIANS ARE CONSCIOUS OF PROBLEMS POSED FOR INDUSTRIAL-
IZED ECONOMIES BY IDEA OF SAFEGUARDING PURCHASING POWER
OF LDC'S. ALGERIA WILL NOT FAIL TO CONTRIBUTE BY ITS
EFFORTS TO THE ELABORATION OF CONSTRICTIVE AND APPROPRIATE
SOLUTIONS WHICH SHOULD BE PUT INTO OPERATION TO PERMIT THE
DEVELOPING ECONOMIES TO REGAIN THEIR STABILITY AND GROWTH.
THIS RETURN OF STABILITY AND THIS REGAINING OS GROWTH
WOULD BE GREATLY FACILITATED BY SOLUTION OF PROBLEMS
RELATIVE TO THE INTERNATIONAL MONETARY SYSTEM AND TO
TRANSFER OF FINANCIAL RESOURCES IN FAVOR OF THE POORER
COUNTRIES. PROGRESS IN THESE TWO DOMAINS WOULD CONTRIBUTE
GREATLY TO FACILITATING THE SOLUTION TO OTHER QUESTIONS
WHICH THE CONFERENCE SHOULD ALSO DISCUSS.

14. IN THE SAME LINE, THOROUGH STUDY OF QUESTIONS RAISED
BY TRANSFER OF TECHNOLOGIES AND THE DEVELOPMENT OF EFFECTIVE
NEW FORMULAS WHICH WOULD PERMIT LDC'S TO ACQUIRE THESE
TECHNOLOGIES AND TO INDUSTRIALIZE WILL BE DECISIVE FOR
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THE SOUGHT-AFTER EQUILIBRIUM. GIVEN DIVERSITY OF
INTERESTS, ALGERIANS AWARE OF COMPLEXITY OF QUESTIONS WHICH
MUST BE MET TO GIVE DIALOGUE CONSTRUCTIVE COURSE AND LEAD
IT TO SATISFACTORY RESULTS. ALGERIA IS RESOLVED TO
CONSECRATE GREATEST EFFORTS IN ORDER TO REACH THAT GOAL
AND IS PREPARED TO RECEIVE US REPRESENTATIVE. WILL
BE HAPPY TO EXAMINE WITH HIM CONDITIONS FOR RELAUNCHING
OF THE DIALOGUE

13. COMMENT: IT UNUSUAL FOR BOUMEDIENE TO SUMMON
AMBASSADOR IN ORDER DELIVER MESSAGE THIS NATURE.BELIEVE BOUMEDIENE TR
YING PUT CONCILIATORY FOOT FORWARD FORREASONS
OF HIS OWN. TONE OF MEETING WAS FRIENDLY AND LETTER

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ITSELF (WHICH DRAFTED BY HAMDANI) SEEMS POSITIVE.
MAINTAINING PURCHASING POWER IS OBVIOUSLY KEY PHRASE
WITH BOUMEDIENE AND WE WILL BE HEARING GOOD DEAL ABOUT
IT.
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